

March 1, 2005

Honorable Mayor and City Council,

I am pleased to present to you the Capital Improvement Program (CIP) for fiscal years 2004/05 through 2009/10. This multi-year planning document represents the culmination of many hours spent assessing the City's current and future capital needs, and the revenues necessary to complete them. Through a proactive and collaborative approach, the CIP provides a roadmap to planning for and prioritizing the City's capital needs, incorporating input from a variety of sources including participatory committees, boards and commissions, the Citywide Strategic Plan, John Husing's economic development strategy and the "Visioning Riverside" report.

This six-year CIP aims not only to accommodate Riverside's future growth, but also to maintain our existing infrastructure. We have an obligation to our residents to ensure that our streets, public buildings, and parks are well maintained for maximum safety, attractiveness, and functionality. Thus, the CIP presents a dual emphasis on planning for new projects as well as protecting existing physical assets.

This document contains scheduling and financing proposals for the next six years that have a direct link to the priorities and expectations laid out in the aforementioned studies. We have focused on identifying opportunities for inter-departmental cooperation and partnerships, providing clear, concrete direction for our future, and promoting accountability for the effective use of public funds for large-scale public projects.

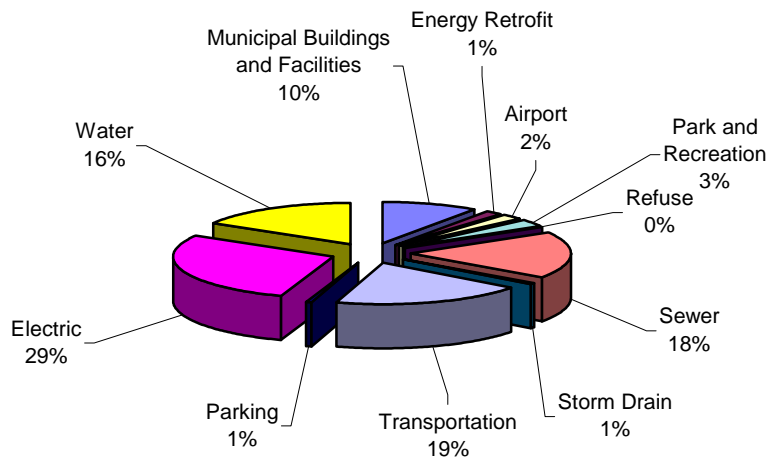
Again, the CIP is solely a planning document, and as such does not directly appropriate any funds. The FY 2005/06 and 2006/07 projects listed in this CIP will be incorporated into the City's proposed Biennial Operating Budget, subject to Council's conceptual approval during the upcoming CIP work sessions. In planning the CIP, departments have made realistic revenue projections for funding these projects, based on current economic trends. Multi-year capital projects also include anticipated inflationary costs.

Executive Summary

The six-year Capital Improvement Program totals \$401,859,152, a 6 percent decrease from the FY 2003/04 – 2008/09 CIP. The FY 2005/06 capital program includes improvements totaling \$109,694,216. The CIP is comprised of nine sections: Airport, Municipal Building & Facilities, Park & Recreation, Refuse, Sewer, Storm Drain, Transportation, Electric and Water. The relative distribution of projects within each section is demonstrated in the following pie chart.

With a combined 82 percent of the six-year CIP expenditure requirements, the Electric, Water, Sewer and Transportation programs can be considered to be the main drivers of the CIP. Major projects include the major and minor street rehabilitation and construction program, recurring and system improvements to the electric program, water main replacements, sewer plant primary system upgrade, and Agricultural Park cleanup.

Summary of the 2004/05 - 2009/10 Six-Year CIP by Section



Capital Improvement Project Highlights for FY 2005/06

The projects listed below are selected highlights from the FY 2005/06 Capital Improvement Program and are organized around the applicable City Council goals.

Economic Development

- **Airport** - Update Airport Master Plan, Pavement Preservation – Runway 9-27 & Taxiway A
- **Electric** – Fund Load Management or Resource Optimization studies to help ensure a low-cost power supply and ultimately help attract new business to Riverside.
- **Development** –Renovation of the Fox Theater; new downtown office buildings, Market Street mixed-use project, new retail/restaurant destinations in Canyon Springs and the Galleria, and implementation of new Economic Development Strategy.

Growth and Annexation

- **Electric** – Major upgrades to the electric distribution system, including additions to Riverside’s substations, transformer additions, and line extensions to serve new customers.
- **Water** - System expansion and Main Replacements to ensure that the available water supply continues to meet expanding demand.

Transportation

- **Streets** – La Sierra Avenue widening, Indiana to Cleveland; Grammercy Place widening, La Sierra to Bushnell; Victoria Avenue Widening and Medians – La Sierra to Boundry Lane; Major and Minor street rehabilitations of deteriorated pavements on arterial roadways.
- **Traffic Signals & System Timing Plan** – Installation of new signals or synchronization projects at various locations throughout the City to improve traffic flow and safety, as well as to perform traffic counts as needed to update existing signal system timing plans.

Livable Communities and Neighborhoods

- **Libraries** - Develop Construction drawings for new Orangecrest Branch Library, preliminary planning and conceptual design of Main Library expansion, and construction of new Arlington Branch Library
- **Fire** – Measure G funded construction of four new fire stations and fire training facility.
- **Parks** – Construction at Orange Terrace – Phase 4, completion of La Sierra Park, Bordwell Park Senior Room.
- **Electric** – Overhead to underground conversions, cable replacements and capital construction at the City-owned San Onofre Nuclear Generating Station.

Capital Improvement Process

The development of the City's Capital Improvement Program occurs over a six-to-seven month period and is, to a certain extent, decentralized. Although the CIP process is coordinated through the Office of Management and Budget (OMB), individual departments are responsible for fully developing their individual CIPs, identifying the needs, performing appropriate fiscal and environmental impact analyses, conducting legislative and environmental scans to ensure the CIP is current, acquiring input from various stakeholders, and selecting the final projects for consideration.

This year, departments were instructed to prepare their CIP to maximize results. In light of the ongoing State budget crisis, which jeopardizes some of our revenue streams, and a CIP projects backlog, departments were asked to keep new projects to an absolute minimum in order to make substantial, measurable progress on those projects previously budgeted and/or behind schedule. Adherence to this directive ensures that the FY 2005/06 CIP is both realistic and achievable within this time frame, and that staff time will be directed where it will produce tangible, measurable results.

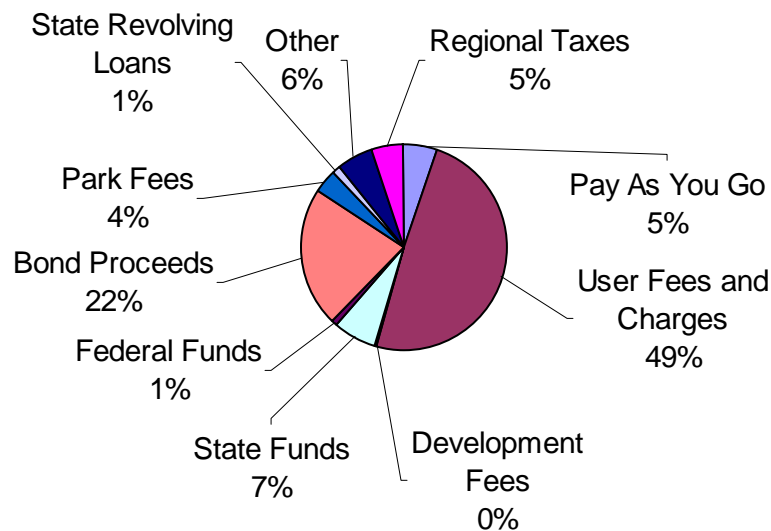
The FY 2004/05 – 2009/10 Capital Improvement Program is traditionally submitted to the City Council for review and conceptual approval in March. Those projects which receive the City Council's conceptual approval will then be incorporated into the 2005/06 Operating Budget, which will in turn be presented to City Council for formal budget adoption in June.

Project Tracking

To keep abreast of progress on capital projects, bimonthly project tracking meetings are held collectively with the involved departments, City Manager, Finance Director, and Office of Management and Budget staff. These meetings provide not only a project status update, but also a forum to identify potential roadblocks, discuss mutual concerns, forge collaboration and cooperation between departments, and strategize the most efficient use of all available resources. Additionally, these meetings provide opportunity to celebrate successes and recognize team members instrumental in bringing CIP projects to fruition. These successes are in turn shared with the City Council, and with the public via a “recently completed projects” board displayed prominently in Council Chambers.

Project Funding Sources

The FY 2004/05 - 2009/10 Capital Improvement Program is considered balanced, with revenues meeting or exceeding planned expenditures. The pie chart below approximates the various funding sources from which we will fund our capital program over the next six years.



Typically, we have not funded many capital projects with General Fund revenues (Property Tax, Sales Tax, and the like) as those revenues support the City's general operating costs and have been shown to be vulnerable in times of economic instability. As shown above, our capital projects are primarily financed through state & federal grants, user fees (i.e. electric, water, sewer, storm drain, refuse), bond proceeds and regional taxes. A small number of projects funded by the General Fund this year under pay as you go are related to minor annual contractual commitments to City facilities and parks.

The Electric, Water, Storm Drain, Sewer and Refuse capital programs are primarily funded through user fees and charges, bond proceeds (which are eventually repaid through revenues from users), and fund reserves. This differs somewhat from the Transportation capital program, which is funded primarily through state or federal grants and Measure A, our regional transportation sales tax.

Park projects receive funding from three primary sources: Local Park Fees (derived from development fees used to finance capital improvements to neighborhood and community parks), Regional Park Fees (derived from regional fees and grant funds), and State Bonds (Proposition 40).

Future Challenges

The development of the City's Capital Improvement Program is a complex and multi-faceted process. Striking a balance between the needs and interests of our residents and the financial capacity of the City is challenging, even in fiscally sound times.

Balancing these priorities, while at the same time being cognizant of the State's fiscal troubles, means that not all priorities can be addressed. Due to the uncertain future of some General Fund revenues, we have limited even the smallest amount of capital funding arising from our general-purpose revenues. Foregoing capital improvements often is a typical response in hard financial times, and that has happened to a small extent this fiscal year. Fortunately, much of our capital program funding sources has remained intact thus far, so many of our planned projects can proceed.

State Budget

Following overwhelming approval (84%) by the voters in November, Proposition 1A worked to protect local general fund revenues in 2005. In his January budget proposal, the Governor proposed taking no more than agreed upon through the local budget deal resulting on Proposition 1A. This deal does result in a loss of \$2.7 million to the City of Riverside for FY 2005/06, continuing from the same loss in FY 2004/05.

There is a very concerning trend, however, in the Governor's budget which falls outside the scope of Proposition 1A. In 2002, the voters determined that certain state revenues would be dedicated to local transportation projects through the passage of Proposition 42. Unfortunately, this proposition has never been implemented as the state continues to "borrow" these funds to offset their own budget shortfall. For Riverside, this has meant a loss of \$2.1 million over the last three years, with the amount expected to grow by several million more over the next two years.

In this budget, the Governor has proposed a "Proposition 1A" style fix for this issue, proposing to continue to "borrow" these funds for another two years and at that time a new constitutional amendment would prohibit such continued raids.

Proposition 42 funds derived from sales tax on gas monies are not included in this CIP, as the State intends to hold on to the funds for FY 2005/06 and 2006/07, although there is some concern that such funds will not be returning to cities at all. The earliest the City of Riverside will likely see the return of Proposition 42 funds is FY 2007/08.

Annexations

With a number of active annexations under consideration, this City has to plan carefully to ensure that the new areas of the City will receive the adequate amount of municipal services, including infrastructure, libraries, parks and public safety services. One of the biggest challenges that we will continue to face as we grow through annexations, and those annexed areas age, is to be able to provide that expected level of service to new and existing areas in a time of shrinking revenues.

Unfunded projects

As is the case in many Southern California cities, Riverside's revenues have not kept pace with expenditures. The good news is that great strides have been made towards meeting our formerly unfunded Fire project needs. On November 4, 2003, Riverside's voters approved Measure G, a \$20 million fire bond, which will allow for construction of four new fire stations, a new fire-training tower, an Emergency Operations Center, and a fire training facility. These improvements will reduce fire response times and improve overall emergency services within the City limits.

However, in this CIP we have identified 12 projects valued at over \$70 million in our Municipal Buildings & Facilities section alone for which no current funding source exists. These proposed projects include seismic retrofitting of the Municipal Museum and Auditorium, required new fire stations as a result of City growth and annexation, expansion of the Main Library and building two additional branch libraries to serve the Arlanza and Eastside areas of the City.


Some of these projects can be financed through other funds, but much of the unmet need falls to the General Fund.

Conclusion

This is an exciting time in the history of Riverside, a point where the future can be carefully and strategically defined. Every attempt has been made to identify the capital improvements that will provide the most "bang for the buck," while supporting Council priorities. We believe the projects contained herein reflect that effort, as well as an emphasis on utilizing our resources and energies towards producing positive results.

In closing, I thank the Office of Management & Budget, Department Heads, and Departmental CIP Coordinators for their hard work in developing the FY 2004/05 – 2009/10 Capital Improvement Program. I look forward to discussing the proposed projects in more detail during the CIP work sessions.

Respectfully submitted,



Thomas P. Evans
Interim City Manager